

Committee Minutes

Resource Management and Audit Scrutiny Panel

Edinburgh, 11 March 2004

Present:- Councillors Jackson (Convener), Aldridge, Gilchrist, Milligan, Munro, O'Donnell, Scobbie and Wheeler.

Also present:- Councillors Child and Henderson.

1 Apologies

Apologies for absence were received from Councillor Maginnis and Councillor Perry (Executive Member for Social Inclusion and Economic Development).

2 Minute

Decision

The minute of the Resource Management and Audit Scrutiny Panel of 13 February 2004 was approved as a correct record.

3 Matters Arising from Minute of 13 February 2004

3.1 An Approach to Neighbourhood Management (item 4)

Decision

To note that the Executive of the Council on 9 March 2004 had approved the Scrutiny Panel's recommendation that, in addition to the pilot areas selected by the Executive on 13 January 2004, consideration be given to identifying a suitable suburban area, perhaps with an existing Community Council structure, which could form a model for a suburban pilot study.

(Reference – Executive of the Council 9 March 2004 (item 6))

3.2 Comparative Analysis of Council Performance 2002-2003 (item 5)

Decision

To note that the Executive of the Council on 9 March 2004 had approved the Scrutiny Panel's recommendation that the report requested by the Executive from the Chief Executive on the 20 most relevant and important of the Accounts Commission's Performance Indicators, include information aimed at ensuring that the level of Council investment in services was clearly matched to published targets and improvements to services on a year by year basis.

(Reference – Executive of the Council 9 March 2004 (item 7)).

3.3 Trading Operations (item 7)

Decision

To note that the Executive of the Council on 9 March 2004 had approved the Scrutiny Panel's recommendation that the Director of Finance report to the Executive and the Resource Management and Audit Scrutiny Panel on progress in developing a comprehensive risk management framework across the Council.

(Reference – Executive of the Council 9 March 2004 (item8)).

4 External Audit Reports Received

The Scrutiny Panel's audit responsibilities include the review of all matters relating to external audit, including action points and reports and to monitor implementation of external audit recommendations.

The Panel considered a report by the Director of Finance on the following 5 final reports received from the Council's External Auditor during the period 1 October to 31 December 2003:-

- Performance Indicators
- Education PPP
- Commissioning Community Care Services for Older People
- Progress Update on Bureau Services Payroll
- Progress Update on Improving Administration in Schools.

Executive summaries and action plans agreed with management to implement the External Auditor's recommendations were appended to the Director of Finance's report.

Ronnie Hinds (Head of Corporate Finance) gave a brief overview and summarised the main elements of the 5 final reports. In particular, he welcomed the improvements in the timeous submission of performance indicators and their increased reliability. In respect of the Education PPP he supported the External Auditor's recommendation that the Council's preparation of a Business Case for a second Education PPP would be better informed by a review of the success of the first PPP project, acting on any lessons to be learned.

Fiona Kordiak and Mark Taylor (Audit Scotland) spoke to each of the 5 reports in turn and responded to questions from Panel members.

Arising from discussions on the External Auditor's report on the Education PPP, David Fenton (Head of Policy Planning and Resources, Education Department) advised that an interim review, including feedback from users of the school buildings developed under the initial Education PPP Scheme, had recently been completed and would be reported to the Executive of the Council in April 2004. A formal review of the overall success of the project in delivering the benefits expected, including the impact on educational performance would be carried out in accordance with the agreed action plan.

In respect of the External Auditor's report on Improving Administration in Schools, Councillor Gilchrist enquired whether there was any information available on the success of the recently appointed Business Managers in schools. In response, Ronnie Hinds (Head of Corporate Finance) advised that financial management in schools would be looked at further as part of a comprehensive review of administrative financial support throughout the Council.

Decision

To note the reports received from the External Auditor and the action agreed with management to implement the External Auditor's recommendations.

(Reference – report no RMA/020/03-04/F by the Director of Finance, submitted).

5 External Audit Planning Memorandum

The Scrutiny Panel's audit responsibilities include the review of all matters relating to external audit.

The Panel considered a report by the Director of Finance on the 2003/2004 Planning Memorandum received from the External Auditor.

Fiona Kordiak and Mark Taylor (Audit Scotland) summarised the main elements of the Planning Memorandum and drew the Panel's attention to the following areas:-

Resource Management and Audit Scrutiny Panel
11 March 2004

- the Planning Memorandum detailed the main areas of work to be covered by the External Auditor in the audit year 2003/2004 and how this work would be resourced.
- The work could be broken down into three areas; 1) regular work; 2) corporate governance issues; and 3) performance audit. Some themed work would also be undertaken to reflect the requirements of the Local Government in Scotland Act 2003, in particular, a review of the Council's arrangements for trading accounts and arrangements to implement the requirements of the Prudential Code from 1 April 2004.
- The Local Government in Scotland Act 2003 also established Best Value as a statutory duty for local authorities. As a result, the Accounts Commission has introduced new arrangements for the audit of Best Value. A cyclical approach was being adopted, with the audit of Best Value normally being carried out once in a three year period at each Council. As the City of Edinburgh Council had not been included in the initial round of reviews, a transitional best value audit would be carried out in 2004 with a view to assisting the Council to develop its response to the new legislation and to prepare for the full Best Value audit.

In response to a question on the fee for the 2003/2004 audit, Fiona Kordiak explained that Audit Scotland set an indicative fee for all local authorities which could be varied by plus or minus 10%. Negotiations are then held with each local authority based on Audit Scotland's perception of the authority's risk profile. In her report on the Council's audited accounts for the financial year 2002/2003 the Council's systems of internal control were rated as "fair". In view of this assessment she felt she could only recommend that the Council's audit fee be set at the indicative level. Future audit fees could be reduced if the Council was to further improve its systems of internal control. Audit Scotland had written to the Director of Finance with detailed reasons for the increase in the audit fee for 2003/2004.

Ronnie Hinds (Head of Corporate Finance) advised that the audit fee detailed in paragraph 3.3 of the Director of Finance's report was incorrect and should read £541,700 and not £542,200. The increase in the audit fee was broadly comparable to that of last year and the fixed elements of the fee were negotiated for local government as a whole by COSLA. He welcomed the prospect that improvements in the Council's rating on systems of internal control could be a mechanism to reduce the audit fee in future years. The issue of internal control was closely related to the Council's risk management framework and, as requested by the Panel on 13 February 2004, he hoped to report shortly on progress in developing a comprehensive risk management framework across the Council. He welcomed the External Auditor's proposed programme of work which he felt was well balanced.

Decision

To note the contents of the External Audit Planning Memorandum 2003/2004.

(Reference – report no RMA/021/03-04/F by the Director of Finance, submitted).

6 Monitoring of Internal Audit – 1 October – 31 December 2003

As part of its audit responsibilities, the Scrutiny Panel considered a report by the Council's Chief Internal Auditor on the performance of the Internal Audit Section for the period 1 October to 31 December 2003.

Ian Stirton (Chief Internal Auditor) summarised the main elements of his report and drew the Panel's particular attention to the following areas:-

- during the above period the Internal Audit Section had carried out work in a variety of sections within the Council and funded bodies, and had produced 20 final reports which had been agreed with management and action plans to implement recommendations put in place.
- the Internal Audit Section continued to make a large commitment to ongoing computer migration projects, with audit staff now involved in the Enterprise Finance Project. Internal Audit staff were also actively involved in the implementation of the Council's ICT security policy.
- an anti-fraud initiative had been launched on the Council's website prior to Christmas 2003. Over 30 reports had been logged, however, a large number of these related to bodies outside Edinburgh or to systems not administered by the Council. A report would be prepared for submission to the Panel on the outcome of the cases relating to the Council.
- the Internal Audit Section continued to support and assist Council Departments and the voluntary sector in the training of staff involved in operating financial systems.
- two major reports had been issued during the period in question, one relating to non-domestic rates reliefs and exemptions; the other relating to foster care payments.

In response to questions from Panel members, Ian Stirton advised that:-

- in respect of the retention of documentation and files, guidance had been issued across the Council advising that files should be held for 5 years from the date the file was last accessed and not from the date received.
- the software used for processing foster care payments was outdated. This would be reviewed and replaced in due course.

Decision

To note the report by the Council' Chief Internal Auditor.

(Reference – report no RMA/022/03-04/F by the Council's Chief Internal Auditor, submitted).

7 Edinburgh Community Newspaper Trust (ECNT) – Funding Report

The Council had previously approved the following recommendations from the Resource Management and Audit Scrutiny Panel:-

- (a) that the Edinburgh Community Newspaper Trust (ECNT) be requested to bring forward concrete proposals aimed at reducing the level of grant aid awarded by the Council to the Trust, with the possibility of the Council ceasing to provide grant aid in the longer term; and
- (b) to request the Director of Corporate Services to include in a future monitoring report information regarding the number of publications per year by each newspaper funded by the ECNT, the delivery arrangements and historic circulation levels for each newspaper.

The Executive of the Council on 24 February 2004 had considered a report by the Director of Corporate Services on a review of the operation of the Edinburgh Community Newspaper Trust, including financial monitoring information on the newspapers funded by the ECNT and links with the emerging community planning framework within the City. The Executive had agreed, amongst other things, to refer the Director of Corporate Services' report to this Panel for information.

David Jack (Head of Strategic Support Services, Corporate Services Department) summarised the main elements of the Director of Corporate Services' report and drew the Panel's attention to the following areas:-

- the Edinburgh Community Newspaper Trust was established in 1988 with a remit to develop policy and support community newspapers operating in the City's regeneration areas. 98% of its Council grant was distributed to the following member titles:-
 - Gorgie Dalry Gazette
 - North Edinburgh News
 - South Edinburgh Echo
 - Craigmillar Chronicle
 - West Edinburgh Times (replacing the Wester Hailes Sentinel)
- The Executive of the Council on 9 March 2004 had approved a conditional grant of £127,100 to ECNT for the financial year 2004/2005.
- the Council had been reducing its grant to the ECNT over a number of years. This reduction had been offset by an increase in Social Inclusion

Resource Management and Audit Scrutiny Panel
11 March 2004

Partnership (SIP) grant income to some newspapers. However, from 1 April 2005 the total SIP budget for the City was likely to reduce significantly. This would have a significant impact on the future of community newspapers.

- with SIP budgets remaining static in 2004/2005, there was no real potential for offsetting any further reduction in the Council's grant against an increased SIP contribution. While this suggests the Council's funding level would have to remain at least static in the coming year, there were significant changes in prospect thereafter.
- there was a potential role for community newspapers within the emerging community planning framework. The West Edinburgh Times (WET) had demonstrated that there was scope for exploring closer links between community newspapers and local community planning partnerships. In 2002 the WET replaced the Wester Hailes Sentinel, which was circulated in the former local SIP area. The WET had secured initial funding from the West Edinburgh Community Planning Partnership to expand its distribution to the whole west Edinburgh community planning area, thus more than doubling its circulation level. The WET pilot had also attracted a small contribution to costs from the Lothian Primary Care NHS Trust, which has ensured that space in the each issue is dedicated to health topics and information. There was clearly further potential for the newspapers to attract new resources by dedicating space to information on local service provision by key community planning partners and agencies.
- a realignment of the titles to fit with community planning structures at local partnerships or Local Development Committee level could provide the Council with other options for supporting the newspapers in future. Instead of providing a grant subsidy, an alternative approach of buying space in local newspapers could be developed.
- Further links between community newspapers and local community partnerships could be achieved through the provision of more information from key partner agencies. These links would be investigated further in the coming year. Similarly, the potential for more localised sources of funding support, arising from a realignment of community newspaper circulation areas to LDC and sub-LDC planning areas, required further exploration and development.

Councillor Henderson (Chair of ECNT) stressed that the community newspapers were highly regarded in their respective communities. A reduction in SIP funding would result in serious financial problems for at least three community newspapers. The current report was quite timely and gave the ECNT an opportunity to give serious consideration to its potential role in the emerging community planning framework in the city.

In response to questions from Panel members, David Jack indicated that:

- delays in the implementation of the Community Planning process and the uncertainty of the SIP transitional funding had meant the Council was not

able to progress as quickly as it had hoped in reducing the level of grant aid awarded to ECNT.

- the ECNT required each paper to raise at least 15% of their annual income through advertising, with all papers exceeding this target. The advertising revenue included income from Council adverts although this did not form a significant proportion of the income received.
- distribution and delivery costs varied considerably between the newspapers and there was scope for potential cost reductions in this area.

Decision

- 1) To note the following decision of the Executive of the Council of 24 February 2004:
 - a) To note the continuing requirement for Council grant aid support to the ECNT in 2004/05, the actual amount to be determined by the Executive of the Council on 9 March 2004.
 - b) To receive a further report on the development of links between the ECNT and the emerging community planning framework in the City prior to the financial year 2005/06 and to agree the intention to change funding arrangements from 2005 onwards.
 - c) To refer the Director of Corporate Services' report to the Edinburgh Partnership to allow other agency partners to consider their involvement.
 - d) To attach a condition to the ECNT grant in 2004/05, requiring a review of its operation in the light of the changing funding arrangements and the likely reduction in support after 2004/05.
- 2) To note that the Executive of the Council on 9 March 2004 had approved a conditional annual grant of £127,100 to the ECNT for 2004/05.
- 3) To recommend to the Executive of the Council that the Director of Corporate Services report to a future meeting of the Executive and the Resource Management and Audit Scrutiny Panel, within a period of six months, on a comprehensive review of the Edinburgh Community Newspaper Trust in light of changing funding arrangements and the intended funding reduction from the Council.

(References – Resource Management and Audit Scrutiny Panel 28 March 2003 (item 3); Act of Council no 27 of 10 April 2003; Executives of the Council of 24 February 2004 (item 7) and 9 March 2004 (item 4); report no. E/484/03-04/CS by the Director of Corporate Services, submitted).

Declaration of Interest

Councillor O'Donnell declared a non-financial interest in the above item as Chair of the Craigmillar Social Inclusion Partnership.